



Foreign Agricultural Service

**GAIN Report**

Global Agriculture Information Network

Required Report - public distribution

Date: 11/25/2002

GAIN Report #AG2006

## **Algeria**

## **Dairy and Products**

## **Annual**

## **2002**

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### **Report Highlights:**

**In spite of the growth of the private dairy processing sector, Algerian imports of milk powder decreased in CY 2002 because of the high world prices in the first term of 2002, which generated a large use of stocks. Unfortunately, with U.S. prices generally higher than world prices, U.S. products were not attractive, and there were no dairy imports from the U.S. in 2002. With a new finance law in 2003, some changes may occur on custom duties and VAT.**

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Includes PSD changes: Yes

Includes Trade Matrix: Yes

Annual Report

Rabat [MO1], AG

Executive Summary .....	<a href="#"><u>1</u></a>
Production .....	<a href="#"><u>1</u></a>
Consumption .....	<a href="#"><u>2</u></a>
Trade .....	<a href="#"><u>2</u></a>
Stocks .....	<a href="#"><u>3</u></a>
Policy .....	<a href="#"><u>3</u></a>
Marketing .....	<a href="#"><u>4</u></a>

## Executive Summary

### Production

Algeria only produces 40 percent of its needs. The estimated need for milk in Algeria is about 3 million MT, but domestic production of fresh milk average only 1.5 million MT each year. Because of the lack of coordination and low incentive prices offered by the GOA and the dairy state-owned group Giplait, only 103,000 MT of fresh milk are collected. Farmers receive both production support and transportation subsidies when they sell their milk to any of the 18 plants in state-owned Giplait group, as well as additional support from the Ministry of Agriculture. Despite the increase of the subsidy, this seems to be not sufficient for the farmers who generally sell their fresh milk directly to consumers because they can receive higher prices than from Giplait.

As reported previously last year, the GOA is trying to encourage production through increased price supports and through incentives to build 200 creameries within the PNDA

Last July, three dairy complexes started operations in different regions of Algeria.

Nevertheless, production levels remain insufficient, and reconstituted milk provides a major source of milk used in Algeria (53 percent). Fifteen percent comes from ready for consumption milk powder and 33 percent comes from domestic production. The reconstituted milk is produced by blending imported non-fat dry milk with butteroil, or sometimes whole milk powder. Most reconstituted milk is produced in the 18 processing plants of Giplait, which dominates the production of pasteurized fluid milk (35 percent of Algerian fluid milk).

The private sector still dominates the production of processed dairy products (yogurt, cheese, butter, sour milk, and dairy desserts). Because of the low price fixed by the government for pasteurized fluid milk, the private sector would rather produce these more profitable products. According to all the dairy processors and Giplait, the consumer price that the Ministry of Commerce revised to 25 AD (\$0.31) per liter in February 2001, still remains too low to be profitable. Despite these concerns, the GOA maintain the argument that milk represents the affordable source of protein for Algerian. Thus, processors will still face the consequences of the high international prices in obtaining their raw material and selling their product locally.

**Table 1: Chronology of Retail Prices of Milk in Algerian Dinars (AD):**

Years	Farm price of fresh milk (1 liter)	GOA-fixed price for reconstituted milk (1 liter)	Whole milk powder (0.5 kg boxes)	Exchange Rate (AD in \$1)
1998	30	20	110	60
1999	40	20	120	68
2000	40	20	120-140	78
2001	45	25	120-140	76
2002	45	25	140	80

Source: Ministry of Commerce and Local Market

As reported previously, local cheese is produced from processing imported cheddar cheese and powdered milk and some times, when it is available, with local fresh milk, and butter is mostly imported. Small volumes of butter are manufactured by the state plants and some private plants, but as with other dairy products is processed from imported raw material.

The PNDA also supports pasture production and heifer nurseries to encourage farmers to breed dairy cattle in order to increase herd size and improve dairy production. Most of the dairy cattle herd is imported. Because of the BSE crisis, imports of European cattle were prohibited. In fact, no cattle have been imported since November 2000, even from the U.S., because of the lack of a sanitary protocol and the cost of transportation. According to some sources, the imports of cattle from Europe will reopen soon but with tight controls. Milk production, however, has not been really affected by the crisis since Algeria relies mostly on imports rather than local production.

After receiving no reply from U.S. suppliers, another dairy processor started a partnership with the French brand name Yoplait. This is added to the two others already in operation with Danone and Candia.

## Consumption

### Trade

Algeria heavily relies on imports for 60 percent of its consumption of dairy products. Algeria is the third largest importer of dairy product in the world behind Italy and Mexico. However, in 2002, Algerian imports of both milk powder and nonfat dry milk decreased considerably because of the increase of world prices in the first term of the current year and the availability of stocks from 2001. Thus, the importers relied on their stocks to supply demand. In 2001 they imported more than expected. In 2003, we expect an increase for WMP, because the stocks have been used, and a decrease for NFDM, because there are still good stocks. Unfortunately, there were no dairy imports from the U.S. in 2002. With U.S. prices generally higher than world prices, U.S. products were not attractive.

With the increasing number of dairy plants consumption is expected to increase. Imports of cheese were more or less stable for 2001 and 2002, but were lower than 2000 because of the prices. Imports of butter increased because after liberalization, the GOA no longer subsidizes the consumption prices nor controls the retail market for butter. In addition to low world prices for butter, encouraged private imports in 2001 and 2002 comparing to 2000.

**Table 2: Imports of Dairy Product (January through September 2002) in MT:**

Countries of Imports	WMP	NFDM	BUTTER	CHEESE
Germany	388	1,438	0	513

<b>Argentina</b>	<b>12,385</b>	<b>1,312</b>	<b>0</b>	<b>0</b>
<b>Belgium</b>	<b>1,2474</b>	<b>5,258</b>	<b>1,567</b>	<b>295</b>
<b>Canada</b>	<b>1,714</b>	<b>653</b>	<b>0</b>	<b>0</b>
<b>France</b>	<b>39,643</b>	<b>19,402</b>	<b>1,152</b>	<b>654</b>
<b>Great Britain</b>	<b>1,180</b>	<b>1,193</b>	<b>663</b>	<b>1,627</b>
<b>Ireland</b>	<b>4,844</b>	<b>712</b>	<b>173</b>	<b>1,050</b>
<b>New Zealand</b>	<b>8,205</b>	<b>10,706</b>	<b>3,887</b>	<b>4,087</b>
<b>Poland</b>	<b>1,196</b>	<b>37,644</b>	<b>0</b>	<b>0</b>
<b>U.S.</b>	<b>96</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>OTHERS</b>	<b>2,148</b>	<b>8,852</b>	<b>2,618</b>	<b>7,706</b>
<b>TOTAL</b>	<b>84,273</b>	<b>87,170</b>	<b>10,060</b>	<b>15,932</b>

## Stocks

## Policy

Please see AG1008 for explanation of Algerian tariff system.

**Table 3: Tariff rates for dairy products in 2002:**

<b>Products</b>	<b>Category</b>	<b>Custom duties</b>	<b>VAT</b>	<b>DAP</b>
04012010	Fluid milk (fat content, by weight, exceeding 1.5 %)	30 %	none	48 %
04021000	Non-fat dry milk (fat content, by weight, not exceeding 1.5%)	5 %	none	0 %

04022100	Milk and cream, in powder, more than 1.5% fat content, unsweetened	5 %	none	0 %
04022900	Milk and cream, in powder, more than 1.5% fat content, sweetened	5 %	none	0 %
04029100	Milk and cream, sweetened	5 %	none	0 %
04029900	Others	5 %	none	0 %
04062000	Grated or powdered cheese of all kinds	30 %	17 %	48 %
04063000	Processed cheese not grated or powdered	30 %	17 %	48 %
04064000	Blue-veined cheese	30 %	17 %	48 %
04069010	Soft uncooked or cooked or semi-cooked pressed	30 %	17 %	0 %
04069020	For processing	30 %	17 %	0 %
04069090	Others	30 %	17 %	48 %
04051000	Butter	30 %	17 %	48 %

Note 1: In addition to these duties, there are still some customs fees of 2 percent and custom processing fees of 0.4 percent.

Note 2: These products require a sanitary veterinary inspection certificate, as well as a number of other certificates, provided by the suppliers (radiation or isotopic, microbiological specifications).

Note 3: DAP is a temporary additional duty applied on some products.

According to some sources, a new finance law in 2003, will enact some changes in some custom duties and VAT. For dairy products, some tariff codes will be exempted from VAT.

## Marketing

Algerians have experienced great changes over the past few years, due to the liberalization of foreign trade. The availability of cash makes both public and private importers able to import dairy products on a cash basis. Thus, price competitiveness is the key factor for selecting suppliers. Algerian importers usually choose to do business with Europe because of proximity, direct shipping lines, and cost of transportation. The U.S. market share has decreased significantly. Despite the \$150 million that was allocated under GSM 102 for FY 2002, none of it was used to import dairy products.



PSD Table						
Country	Algeria					
Commodity	Dairy, Milk, Nonfat Dry				(1000 MT)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Beginning Stocks	2	2	2	19	2	16
Production	0	0	0	0	0	0
Intra EC Imports	0	0	0	0	0	0
Other Imports	80	97	80	87	0	80
TOTAL Imports	80	97	80	87	0	80
TOTAL SUPPLY	82	99	82	106	2	96
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Human Dom. Consumption	80	80	80	90	0	90
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	80	80	80	90	0	90
TOTAL Use	80	80	80	90	0	90
Ending Stocks	2	19	2	16	0	6
TOTAL DISTRIBUTION	82	99	82	106	0	96
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0



Import Trade Matrix			
Country	Algeria		
Commodity	Dairy, Milk, Nonfat Dry		
Time period		Units:	MT
Imports for:	2001		2002
U.S.	170	U.S.	
Others		Others	
Belgium	6673		
Poland	45653		
Czech	3455		
Switzerland	2586		
France	21822		
Germany	12070		
Argentina	1010		
Great Britain	958		
Netherland	951		
Estonia	679		
Total for Others	95857		0
Others not Listed	973		
Grand Total	97000		0

PSD Table						
Country	Algeria					
Commodity	Dairy, Dry Whole Milk Powder				(1000 MT)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Beginning Stocks	3	3	3	12	3	4
Production	0	0	0	0	0	0
Intra EC Imports	0	0	0	0	0	0
Other Imports	112	121	112	112	0	120
TOTAL Imports	112	121	112	112	0	120
TOTAL SUPPLY	115	124	115	124	3	124
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Human Dom. Consumption	112	112	112	120	0	120
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	112	112	112	120	0	120
TOTAL Use	112	112	112	120	0	120
Ending Stocks	3	12	3	4	0	4
TOTAL DISTRIBUTION	115	124	115	124	0	124
Calendar Yr. Imp. from U.S.	2	19	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Import Trade Matrix			
Country	Algeria		
Commodity	Dairy, Dry Whole Milk Powder		
Time period		Units:	MT
Imports for:	2001		2002
U.S.	18810	U.S.	
Others		Others	
France	53734		
New Zealand	11375		
Argentina	6442		
Belgium	16970		
Canada	1610		
Great Britain	1417		
Ireland	1408		
Germany	1145		
Poland	5009		
Australia	832		
Total for Others	99942		0
Others not Listed	2462		
Grand Total	121214		0

PSD Table						
Country	Algeria					
Commodity	Dairy, Cheese				(1000 MT)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2001		01/2001
Beginning Stocks	0	1	0	1	0	1
Production	0	4	0	4	0	4
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	16	0	16	0	16
TOTAL Imports	0	16	0	16	0	16
TOTAL SUPPLY	0	21	0	21	0	21
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Human Dom. Consumption	0	20	0	20	0	20
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	0	20	0	20	0	20
TOTAL Use	0	20	0	20	0	20
Ending Stocks	0	1	0	1	0	1
TOTAL DISTRIBUTION	0	21	0	21	0	21
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Import Trade Matrix			
Country	Algeria		
Commodity	Dairy, Cheese		
Time period		Units:	MT
Imports for:	2001		2002
U.S.	0	U.S.	
Others		Others	
New Zealand	5886		
Netherland	2958		
Australia	2476		
Germany	1148		
Belgium	1552		
France	1092		
U E	198		
Switzerland	195		
Ireland	101		
Great Britain	97		
Total for Others	15703		0
Others not Listed	130		
Grand Total	15833		0

PSD Table						
Country	Algeria					
Commodity	Dairy, Butter				(1000 MT)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2001		01/2001
Beginning Stocks	0	1	0	1	0	1
Production	0	3	0	3	0	3
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	10	0	10	0	10
TOTAL Imports	0	10	0	10	0	10
TOTAL SUPPLY	0	14	0	14	0	14
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Domestic Consumption	0	13	0	13	0	13
TOTAL Use	0	13	0	13	0	13
Ending Stocks	0	1	0	1	0	1
TOTAL DISTRIBUTION	0	14	0	14	0	14
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Import Trade Matrix			
Country	Algeria		
Commodity	Dairy, Butter		
Time period		Units:	MT
Imports for:	2001		2002
U.S.	0	U.S.	
Others		Others	
New Zealand	5344		
Netherland	2441		
France	1177		
Belgium	630		
Australia	436		
Brasil	148		
Switzerland	100		
Czech	85		
Great Britain	60		
Total for Others	10421		0
Others not Listed	0		
Grand Total	10421		0